

U.S. Department of Housing and Urban  
Development  
Community Planning and Development

Special Attention of:

Regional Administrators  
Office Managers  
Regional Directors for CPD  
CPD Division Directors  
Regional Directors of FHEO  
Field Office FHEO Directors  
FHEO Division Directors

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Community Planning and Development Monitoring  
Handbook

Subject: Field Office Monitoring of HOME Investment Partnerships  
Program Participating Jurisdictions

### BACKGROUND AND PURPOSE

The HOME Investment Partnerships Program (HOME) is now in its second year. Most Field Offices' efforts to date have been directed to assisting participating jurisdictions (PJs) implement the Program. However, it is now time to begin reviewing how well PJ implementation has progressed.

More definitive monitoring instructions for HOME are being developed and will be included as a chapter in Community Planning and Development's (CPD) revised Monitoring Handbook (HUD Handbook 6509.2). Until the issuance of that revised handbook, however, the information and guidance contained in this Notice (which is meant to be a complementary document used in conjunction with the existing handbook) should be used by Field Offices to monitor the **HOME PJs**. Field Offices must look to Handbook 6509.2 for guidance on other specific monitoring procedures. Handbook chapters, together with any subsequent changes, that are relevant and applicable to monitoring the HOME Program (which is incorporated into those chapters by reference through this Notice, ) are:

- Chapter 1 . Introduction
- Chapter 2. Management of Monitoring Activities
- Chapter 5. Grant Administration
- Chapter 6. Rehabilitation
- Chapter 8. Citizen Participation
- Chapter 9. Environment
- Chapter 10. Fair Housing and Equal Opportunity
- Chapter 11. Labor Standards
- Chapter 12. Other Program Requirements

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Chapter 2, Management of Monitoring Activities, is particularly relevant to the monitoring planning process, and the guidance provided there is to be used.

Additionally, detailed guidance for monitoring relocation/real property acquisition activities must be obtained from HUD Handbook 1374, Tenant Assistance, Relocation and Real Property Acquisition -- HUD CPD Staff Responsibilities.

All PJs should be monitored during the course of a Fiscal Year. That monitoring may in some cases be remote, that is, a combination of in-house reviews of HOME program descriptions and performance, reports coupled with an ongoing analysis of production and performance information obtained from the Cash Management and Information System (C/MIS). The Secretary has placed the highest Departmental priority on effective implementation of the HOME Program and acceleration of program expenditures. The Assistant Secretary has established increased HOME Program expenditures as the top CPD action priority for the next year. For FY 1994, given the Secretary's and Assistant Secretary's priorities for HOME, all possible opportunities for on-site monitoring of PJs should be taken advantage of. Poor productivity or slow performance (equating to low expenditure rates) among the largest PJs constitutes the greatest risk since such a significant portion of HOME funds is at stake. These PJs should therefore be the focus of greatest attention.

Responsibility for the HOME monitoring process lies at several levels. The Office of Community Planning and Development (CPD) may issue an annual Field Management Plan which establishes monitoring goals for the HOME and other CPD programs. In the absence of such a Field Management Plan, CPD will issue separate guidance for determining priority risk areas and **for rating PJs for in-depth HOME monitoring**. The Office of Affordable Housing **Programs (OAHF) will periodically** develop additional criteria for monitoring PJs, and will perform periodic reviews of the Regional Offices to determine that the Regions' monitoring activities are being carried out as planned.

Technical assistance for HUD staff in monitoring the HOME Program will be provided by Headquarters through various means including conference calls and in conjunction with other scheduled Field Office visits. Additionally, training in specific aspects of program design and administration will be provided (for example, a training session in Multifamily Underwriting will be presented for CPD staff during the last quarter of FY 1993 and the first quarter of FY 1994), and space will be made available for Regional/Field Office staff at training sessions provided under contract for PJs. This training will assist staff in understanding actual program management.

Regional Offices will be responsible for assuring that both they and Field Offices for which they have responsibility develop monitoring schedules and assign adequate travel and staff resources to carry out those schedules, and for evaluating the performance of those Field Offices. Field Offices must schedule and conduct the reviews, and are responsible for prescribing and carrying out actions resulting from the reviews.

Monitoring in the HOME Program is designed to review overall performance and adherence to program requirements and to provide technical assistance to PJs as well. Productivity must be encouraged and achieved for a variety of reasons. Not the least of those reasons is the possibility that HOME funds that are not reserved, committed or expended within certain stipulated time frames will be taken from a PJ and reallocated. If this occurs, the goal of providing affordable housing units through the HOME Program cannot be met in that community. In this regard, while compliance monitoring cannot be ignored, it is performance monitoring that should take precedence at this time. The following guidance reflects that policy.

### MONITORING OBJECTIVES

Monitoring PJ activities is an important means by which the Department of Housing and Urban Development (HUD) carries out its HOME Program management responsibilities. It is also a primary method for confirming that the Secretary's priorities of effective program implementation and accelerated expenditures are being implemented. PJs are accountable to HUD for program performance. That includes, first and foremost, the production of affordable housing for low-income households in an expeditious, cost-effective manner. At this early stage of the HOME Program, CPD monitoring should therefore focus on stimulating production, improving program design and management and verifying information submitted to the Cash and Management Information System (C/MIS). Secondly, through monitoring HUD also assures compliance with applicable laws and regulations and minimizes opportunities for fraud, waste and mismanagement. Finally, an important outcome of monitoring is to provide the PJ with an assessment of its program design and implementation, and give guidance, training and information. It is an opportunity for HUD and PJs to work cooperatively toward common objectives.

The objectives of monitoring in the HOME Program are to:

- A. Help PJs and State recipients to improve the production of affordable housing, program efficiency and overall management by:
  - 1. identifying ways in which PJs can overcome obstacles to productivity, streamline operations and promote greater program participation;
  - 2. examining PJ subsidy mechanisms and suggesting more efficient forms and levels of subsidy when appropriate; and
  - 3. reviewing project selection decisions to assure that PJs will produce affordable housing for low-income households and suggesting alternate procedures and policies where appropriate.
- B. Determine if PJs are complying with applicable **HOME Program laws and regulations** with particular attention to:
  - 1. expenditure of administrative funds.

2. matching contributions (beginning with Fiscal Year 1993 exp enditu,res).
- 3: maximum per-unit subsidy amount.
4. qualification as affordable housing and income targeting (rental housing and homeownership).
5. set-aside for community housing development organizations (CHDOs).
6. equal opportunity and fair housing.
7. affirmative marketing.
8. both the quality of construction/rehabilitation (including appropriate energy efficiency measures), and the management of the construction process.
9. affirmatively furthering fair housing.
10. site and neighborhood standards for the review and placement of housing units.
11. Section 3 of the Housing and Urban Development Act of 1968.

#### ROLE OF TECHNICAL ASSISTANCE

An important adjunct to the monitoring function itself is the provision of technical assistance and support to the PJs. In addition to the assistance provided to PJs by the Field Offices, training to supplement those activities has been provided nationwide under contract with HUD. This training includes instruction in HOME Program basic rules, relocation and tenant assistance and other associated areas. These and other related training courses will continue as ongoing activities.

Direct technical assistance is also available to individual PJs through this same contract, and may be **used to** help with training and information needs when monitoring results indicate that it is necessary and would be beneficial. Direct technical assistance for community housing development organizations (CHDOs) is also available through intermediary organizations that have contracted with HUD to provide development, training and, in some cases, financial assistance when and if necessary.

Additional support services can be obtained by PJs (and Field Office staff) through use of the HOME Information Center. Under the sponsorship of HUD, this database is available by telephone and can provide case studies and other printed materials such as sample forms, information on other funding **sources for** affordable housing, samples of program design elements and information on additional training opportunities.

In combination, these are all tools that will assist PJs in building successful, viable HOME programs and will assist Field Offices in limiting the long-term performance problems that might otherwise be encountered.

## MONITORING PROCEDURES

### In The Field Office.

Field Office staff can learn a great deal about a PJ's program without an actual on-site visit. There are several important sources of information that should be gathered and analyzed in the office. Staff that are assigned to work with and monitor PJs should maintain contact, generally by telephone, with some degree of regularity. The amount of time spent will be dictated in part by the community's own abilities and understanding of the Program and its implementation process.

This routine contact and the information derived from it, forms the basis from which to start and maintain the monitoring process. The critical point is that in-the-office "remote" monitoring must be a continuous process, requiring regular, ongoing analysis of PJ performance and periodic intervention by Field Office staff and, where necessary, by Program Managers and CPD Directors.

Cash Management and Information System (C/MIS) reports are a primary source of information for ongoing monitoring. These reports provide detailed information about a PJ's progress in production, use of funds, the characteristics of projects and the tenants and owners residing in them, or the families receiving tenant-based assistance. The reports also provide an important means of identifying problems and patterns in a PJ's program and suggest direction to the staff performing the monitoring.

The HOME Status of Funds report, for instance, allows a current review of a PJ's use of HOME funds by fiscal year and cumulatively, and commitment and expenditure of funds in dollars and as a percentage of amounts available. **The report provides this** information for a PJ by subcategories of administration, CHDO operating expenses and CHDO set-aside funds, so that a determination can be made at any time as to whether the PJ is meeting its commitment requirements.

The Status of HOME Projects report breaks projects down by activity and details the number of housing units (both total and HOME-funded), the amounts and dates of funds committed and disbursed and the status dates and codes. This report will allow the discovery of patterns that may be developing such as delays in completing projects or the set-up and cancellation of large numbers of projects.

Other C/MIS reports that should be reviewed include the HOME Matching Liability Report, the Monthly HOME Federal Account statement and the HOME Management Reports By Each PJ. Descriptions of all of the C/MIS reports and the information that can be obtained from them are provided in Headquarters memoranda to the Field such as the July 7, 1993 "HOME MIS **MANAGEMENT REPORTS.**" **Also, refer to the**

memorandum of April 8, 1993 from the Director of OAHF concerning Field Access to the HOME Cash and Management Information system for information on direct computer query access to the C/MIS.

A Field Office should not depend solely upon the C/MIS reports, but should also employ other methods to determine progress. It is expected that Field Office staff will maintain an ongoing dialogue with the PJs that will enable some judgments to be made independent of the data. Staff may also obtain more preparatory information by discussing the PJ with the Field Office's Headquarters contact person in OAHF.

Program descriptions, which must be submitted by the PJs within 45 days of publication of the NOFA, are a good source of program information. A program description is the document that describes the HOME Program activities that a PJ intends to implement.

Some program descriptions may be very detailed and provide complete program procedures and others may be less detailed. Descriptions that are vague or merely repeat regulatory language may be an indication that PJs may not have completely thought through the program design. Conversely, a program description that contains excessively detailed procedures may reflect a program design that is quite cumbersome and suggests a need for assistance with streamlining.

It should be remembered that once PJs begin to operate their programs they may deviate from their original program descriptions, except for the few elements which require HUD approval (i.e. other forms of investment, guidelines for resale or recapture for first-time homebuyers, and affirmative marketing and minority and women's business outreach programs). This is acceptable and should be expected and encouraged since PJs' programs will be continually evolving. When this happens, PJs should maintain documentation in their files of any amendments that have been made. As a part of the ongoing technical assistance that a Field Office provides, amendments that would improve a program should be suggested to PJs. While it is important that programs operate within the statutory and regulatory guidelines, they need not conform to what may be obsolete program descriptions.

The complementary document to the program description, ' **the HOME Annual Performance Report**, is also a potentially important source of information to assist in monitoring. These reports must be submitted by PJs by November 30 of each year (except the Fiscal Year 1992 report, which was due by December 31, 1992). While the FY 1992 reports may be of limited value since most PJs had not initiated operations by the end of FY 1992, the FY 1993 report should provide considerable insight on program implementation. Review of this document will allow a comparison to be made of the PJs proposed program activities described in the program description with its own assessment of how it progressed.

Review of monitoring reports from other programs such as the CDBG (particularly sections related to rehabilitation programs and program management) and Rental Rehabilitation Programs can also be quite useful. Those reports may highlight

construction management, organizational and production weaknesses which may carry over to the HOME Program. This is also true for specific activity reports such as relocation/real property acquisition monitoring reports and environmental monitoring reports.

Complaint files concerning the HOME Program, as well as from other programs, can be a good ' indicator of program weaknesses particularly where there appears to be a pattern of similar problems developing.

### On-Site.

Scheduled visits to PJs should be designed to help those PJs meet the HOME Program objectives. Specifically, staff should review the PJ's performance related to the objectives and assist the PJ to solve any problems that are identified.

#### A. Productivity

Helping PJs to increase productivity and efficiency of operation is an important objective of monitoring. Before the on-site visit, Field Office staff will already have substantial information as to the level of commitments, disbursements and completions for the PJ, as well as the types of activities being, undertaken. Staff may also have determined, through its review of the PJ's program description, complaint file, etc., if there appear to be any systemic problem areas. This will provide some indication as to how quickly a PJ's program is moving, but it will not isolate the causes of any problems. Regular telephone contact with the PJ will have provided more insight on such causes.

Most PJs will have an overall sense of what they want to accomplish with the HOME Program. A PJ's overall program structure and policies may be reasonable, but their procedures may be cumbersome, unnecessarily bureaucratic and time consuming. While there is no one correct way to run a **HOME Program**, **Field Office** staff should look for ways to improve program procedures.

Some areas to look at may include:

1. Are program policies and procedures clearly articulated and are forms and marketing materials easily understandable by clients? **Policies and procedures do not** have to be lengthy but if they are vague or nonexistent, clients may not adequately understand the program and, therefore, be reluctant to participate.

This, of course, is likely not relevant in programs that are "experiencing good production. However, in programs that are not, part of the cause may be the absence of a clear message.

2. Is the level of subsidy offered appropriate given the market conditions and quality of the housing stock? If too little subsidy is provided, or it is offered in a

restrictive or curriers,)me manner, property owners may refuse to participate in the program. Similarly, subsidies that are too generous waste scarce resources.

For example, if the PJ's housing stock is deteriorated, on the whole, to the extent that the rehabilitation required per unit averages \$25,000 but the maximum subsidy that the PJ has elected to provide is \$10,000, the program may not be successful because the cost of the subsidy to the owner (in terms of rent limitations, long-term affordability requirements, etc.) may not equal the benefits.

3. Do the staff seem to understand how to underwrite projects and the relationship between rents, subsidy levels, and project feasibility? If not, are lenders or other knowledgeable persons involved in the program?

Without being able to adequately review project applications, the PJ may either underwrite projects that should not otherwise be assisted, leading to project or program failure due to poor project selection, or over-subsidize projects, minimizing the number of units produced.

4. What is the average administrative cost to produce a unit of affordable housing? A high cost may be indicative of duplicative steps in processing, unnecessary paperwork, or serious problems with construction.

Methodology similar to that used to determine administrative **costs for** rehabilitation in the CDBG Program may be used here. In reviewing this area it should be kept in mind that, early in program implementation, administrative costs may appear high in relation to the units produced due to the number of units or projects in the processing "pipeline" that have not yet emerged. **Administrative costs must** be viewed within a situational context.

5. What is the average time between project set-up, construction draws and project completion? Are cost overruns, revised construction specifications and new cost estimates common?

A substantial amount of elapsed time between project set-up and the first drawdown, or between drawdowns may signal poor or improper project selection or construction problems. Too many change orders and cost overruns may indicate that there are poor pre-rehabilitation inspections, poor specification preparation or cost estimating, or poor construction supervision.

6. Are program records and project files complete, orderly and accurate? Perhaps better tracking systems, time tables and schedules are needed so that delays (and their causes) can be noted and problem areas more quickly identified.

7. Are the PJ's project accounting and disbursement systems as-effectively organized as possible and consistent with the C/MIS to assure quick and accurate project set-up and close-out, and project payments?

Slow payments for completed work can cause contractors to decide not to participate further, and can severely impact program productivity.

## B. Compliance

Another important objective of monitoring is to help assist the PJs in complying with applicable laws and regulations. The actual issues that apply to a particular PJ will depend on the activities undertaken by that PJ as outlined in its program description and any subsequent amendments.

Field staff must be very careful, however, in how compliance deficiencies are handled. Given the newness and complexities of the HOME Program, many PJs are already overly cautious about program implementation. Mistakes will be made. Field staff must identify such noncompliance problems, but in a constructive manner, avoiding a "gotcha" approach that discourages creativity and slows down production.

Monitoring steps to take and some of the Program compliance issues to review include:

- 1 . Check the PJ's HOME program files for the following.
  - o Have there been any amendments to the approved program description? If so, do those amendments require HUD approval and was that approval obtained? Those changes that require HUD approval are guidelines for resale, other forms of investment, and minority and women business outreach programs. It is important that all of these amendments be reviewed so that a complete picture of the PJ's program can be obtained.
  - o A PJ is required to establish a procedure to annually monitor HOMEassisted projects. For multifamily projects, this must include on-site monitoring. Does a written procedure exist? Does that procedure address how and when housing code inspections **for meeting HQS will** be performed, the timing and method(s) to be used to verify tenant incomes and project rents, and how noncompliance findings will be handled?
  - o A PJ is required to match expended FY 1993 and later HOME funds from an eligible, non-Federal source. That requirement is on a Program and not a project basis. Review the files to ascertain that the PJ is maintaining a log of match liability generated and the source of funds used to satisfy the liability. NOTE: Field staff should not wait for an onsite visit to determine whether the PJ is maintaining such a log, but should have inquired by telephone of its existence and periodically checked to see how match credit was progressing.

- 0 A PJ must comply with Fair Housing and Equal Opportunity requirements. Review to ascertain whether PJs are applying site and neighborhood standards for new construction consistent with 24 CFR 882.708; whether PJs' affirmative marketing procedures and processes used to market housing are consistent with 24 CFR 92.351; and whether PJs are complying with the requirements of Section 3 of the Housing and Urban Development Act of 1968.

2. A random sampling of project case files should be selected for review. Although the actual number of files may vary, it is recommended that the greater of 30 percent of the total case files, or 10 cases, be chosen. These should include case files that cover the full array of activities that the PJ is carrying out. While reviewing for compliance, particular attention should be placed on the following.

- Much of the information that forms the basis for monitoring is derived from C/MIS reports. Those reports, however, are only as good as the data that is submitted by the PJ. Therefore on-site monitoring should include a verification of the completeness and accuracy of that data. Although the reports will have been reviewed in the Office for certain information and patterns, copies of the reports should be on hand for the on-site review.
- Confirm that information reported in the C/MIS corresponds to information contained in the case files as to type and amount of funding, type of activity associated with the project (new construction, rehabilitation), owner and tenant incomes, rents, etc. Also verify that funding drawdowns are supported by payment vouchers in the files, that there is cost documentation for the funds disbursed from the HOME account, and that there has been timely disbursement of funds.
- It will also be desirable to interview project owners and tenants to verify income and rent information and to determine their satisfaction with the program.

3. Physical construction/rehabilitation activities are a part of all of the various CPD programs, whether ongoing or terminated and undergoing closeout. Methods for performing this type of monitoring have been developed under those programs and, since construction and rehabilitation requirements are usually the same regardless of the actual source(s) of funding, **they are largely unchanged for the HOME Program.** (NOTE: HOME property standards are in some areas more demanding, e.g. HOS and energy efficiency standards for substantial rehabilitation and new construction.)

Construction and rehabilitation monitoring activities, therefore, should be performed based on past experience, with specific reference to chapter 6 of the Monitoring Handbook. This, of course, includes all associated activities such as applicable property standards, environmental requirements, relocation, procurement

and contracting, flood insurance, lead-based paint and labor requirements. Please note, however, that while the monitoring procedures are the same, in some cases the requirements are different than in other programs (e.g., lead based paint and labor standards).

Detailed guidance for rehabilitation monitoring is contained in chapter 6 of HUD Handbook 6509.2, as well as in Section 16-29 of chapter 16. Both of these should be referenced for this element.

4. A PJ is required to commit at least 15 percent of its HOME allocation to projects owned, developed or sponsored by Community Housing Development Organizations (CHDOs). A PJ should have a system in place for outreach to CHDOs or organizations that could qualify as CHDOs. There must also be a review process in effect to ensure that the set-aside funds are being used for CHDO-eligible activities and that they are being used in a timely manner.

A review of the CHDO checklists prepared for those organizations should be performed while on-site to determine eligibility of CHDOs selected and of funds charged to the set-aside. If the monitoring assessment indicates that a PJ is having difficulty in finding, developing or working with CHDOs in its geographic area, discussions should be initiated with contracted intermediary organizations to assist with this activity. The effectiveness of PJ/intermediary relationships and responsiveness of intermediaries to PJs and CHDOs should be assessed.

### C. Special considerations for States

States that are administering the HOME Program centrally are to be reviewed in the same manner as local PJs. If funds are being distributed to State recipients, however, there are additional review considerations.

Although States must require that State recipients maintain files and records in support of activities under the HOME Program, failure of the **State recipient to do so** does not relieve the State of the responsibility to maintain overall compliance. The State is accountable for the actions of its recipients.

1. States are required to review and audit State recipients to ensure that all of the performance review standards of the HOME Program that the States themselves, and other PJs, are subject to are being met. States must have a procedure in place to monitor recipients of State HOME funds to determine compliance with program rules, whether the recipient is carrying out its program activities in a timely manner, and whether or not it has the continuing capacity to operate the program.

Monitoring a State PJ, then, must include a review of that State's own monitoring procedures. That review should, first, confirm that there is a system in place for the State to carry out its responsibilities. Second, the review should determine that the system, if carried out properly, will result in adequate oversight and control of State recipients. For example, a State should be addressing the productivity and program

design of its State recipients (see paragraph A above) in the same way as the Field Office reviews the performance of its PJs.

2. State programs must also be reviewed to determine whether the State has developed a funds distribution process that complies with its Comprehensive Housing Affordability Strategy (CHAS) priorities and investment plan (that is, if and how it will distribute funds to State recipients, whether it will administer a centralized Program, etc.). Additionally, the distribution process should be designed to speed up the flow of funds to State recipients. This is particularly important since States are under the same 24-month deadline for commitment of funds as other PJs, even though States that distribute funds to State recipients have an additional layer of administration. States must be sensitive to this issue. Assess the program to determine whether it includes such roadblocks as an unwieldy request for proposal (RFP) process that can be simplified, or whether the State has added further, more complicated rules. This could signal future difficulties in meeting the commitment deadline and result in a reduction of funds. Recommendations should reflect this concern.

3. The State's agreements with its State recipients must be reviewed to determine whether they contain information necessary for the State to provide proper control, oversight and direction. This must include provisions for the withdrawal or reduction of HOME funds in the event of noncompliance and the requirement that the State recipient will comply with the uniform administrative requirements. Also check for information as to the method by which the State will ensure that the recipient utilizes funds in compliance with its CHAS, and the treatment of program income that is generated as a result of the HOME investment.

4. A sampling of State recipients should be visited on-site to establish that the State is carrying out its responsibilities. Since many State recipients are CDBG Entitlements, or even PJs themselves, such visits can be scheduled when such jurisdictions are monitored for other programs. Visits made by HUD personnel to State recipients are **for the purpose of** monitoring the State's program. These visits do not take the place of or relieve the States of their responsibilities to monitor their State recipients. The visits should be designed, instead, to confirm that the State's own review procedures are in place and adequate. Representatives from the State program should be invited to attend the on-site reviews.

#### D. Close-out Meeting and Monitoring Repo

Monitoring is an important management tool which represents much more than a means of assuring PJ compliance with program rules. It is the process for focusing the PJ's attention on overall performance. There is a responsibility to assure that a PJ is spending its program funds in a way that achieves program objectives, and achieves those objectives in a productive and cost-efficient manner. A PJ can loosely be judged to be in compliance with the rules and yet, through poor productivity or prohibitively costly production, or both, be failing in its responsibility to achieve overall program objectives.

Monitoring is the basic opportunity for HUD staff to influence the program performance of the PJs. One of the most important aspects of monitoring is the conveyance of information and ideas back to a PJ. At a minimum, monitoring should present local officials with the opportunity to receive a professional assessment of their program efforts, recommendations for change where appropriate, and identification of areas of training and technical assistance needs.

If Field Office staff have been effectively monitoring the PJ prior to the on-site visit, periodic feedback - both verbal and written - should have already been provided. The close out meeting should thus not have to cover totally new ground.

The close out meeting and the written monitoring report should include a discussion of not only the problems that have been encountered with the PJ's program, but should also, when possible, include positive reinforcement for the good elements of the program. Recognition of significant improvements, while it should not overshadow deficiencies, can be used to end the session with a positive tone and will help to pave the way for a more collegial approach to problem solving.

The results of the review, both positive and negative, must be addressed in the close-out meeting and the follow-up monitoring letter. Findings (based on a violation of a HOME Program requirement in accordance with the **HOME regulation at 24 CFR 92.550 and 92.551**) and concerns, if any, should not be limited to compliance issues but also cover production and program effectiveness. They must include a discussion of the probable causes of the problems and, equally as important, specific actions that must be taken by the PJ to correct the deficiencies and action dates. It is also appropriate and desirable to make recommendations that go beyond the actions necessary to merely correct a problem.

An example of this would be to recommend for a community that is experiencing severe problems in producing rehabilitated housing but whose City Council must approve all applications to develop a written procedure for project application review and to seek delegation of project approval authority to the PJ in conformance with that procedure. Streamlining the project approval process (or any overly burdensome administrative element that may come to light during the assessment) is one of several ways that productivity can be improved.

Once the monitoring letter has been issued, a copy must be submitted by the Field Office to the Regional Office. Regional Offices must forward copies of all monitoring letters to the Office of Affordable Housing Programs on a quarterly basis. Regional Offices should review Field Office monitoring letters to identify any patterns of recurring problems among Field Offices, or any deficiencies or inconsistency in handling compliance and performance issues. Headquarters will review the reports for programmatic issues on a national basis.

## E. FOLLOW-UP

It is important that, all monitoring be followed up by more than just the written report. Monitoring of a PJ does not begin on a certain date in the fiscal year with planning and culminate with a monitoring report. In order to be most effective, monitoring must be recognized as an ongoing process and treated as such.

The most critical element of follow-up after an on-site visit is to assure that any necessary corrective actions are taken and to provide, or arrange for others to provide, technical assistance required. Beyond this, however, staff should take the initiative to implement periodic discussions with the PJ about program progress and status, program development and implementation problems, training and technical assistance needs, etc. Follow-up on a monitoring visit, then, should be a part of a year-round continuum in order to achieve the best results.